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FM AMEMBASSY NICOSIA
TO RUEHC/SECSTATE WASHDC PRIORITY 5824
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCNDT/USMISSION USUN NEW YORK 0515

C O N F I D E N T I A L SECTION 01 OF 03 NICOSIA 000522

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E.O. 12958: DECL: 04/06/2016
TAGS: [PGOV](#) [PREL](#) [EAID](#) [EUN](#) [TU](#) [CY](#)
SUBJECT: SMOOTHING TURKEY'S EU PATH -- DG ENLARGEMENT
DISCUSSES AID TO TURKISH CYPRIOTS

REF: A. NICOSIA 476
[1](#)B. NICOSIA 273

Classified By: Ambassador Ronald Schlicher, reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. On April 6, visiting EC Director General for Enlargement Michael Leigh (accompanied by Georg Ziegler and Andrea Battista from the Commission's Cyprus team) briefed Ambassador Schlicher on implementation plans for the European Union's assistance package to the Turkish Cypriot community (ref A). He also gave a readout of his April 5 meeting with "TRNC President" Mehmet Ali Talat, in which the Turkish Cypriots expressed a general willingness to work with the EU on aid implementation -- and a definite preference for high-profile infrastructure projects. Leigh anticipated difficulties as the Commission tried to balance Greek Cypriot and Turkish Cypriot sensitivities over symbolic issues like where to place the European aid office, as well as practical questions about how projects would be approved. He expressed a willingness to find face-saving compromises where possible, and endure criticism from both sides when necessary. Leigh predicted rough sailing in Turkey's EU accession process during the year ahead -- especially if Cyprus-related issues like Turkish implementation of the Ankara Protocol could not be resolved or at least "put on the back burner." END SUMMARY.

TURKISH EU ACCESSION: BUY TIME, COOL PASSIONS

[1](#)2. (C) In his April 6 meeting with Ambassador Schlicher, DG for Enlargement Michael Leigh characterized the EU's aid package for the Turkish Cypriots as part of a broader strategy to smooth Turkey's EU accession process. Leigh predicted 2006 would be a rocky year for Turkish-EU relations. The main challenge would be to stave off a crisis over Turkish implementation of the Ankara Protocol and the opening of Turkish ports to Cypriot vessels and planes. Absent progress on this front, the Commission could be forced to give Turkey negative marks in its autumn "Progress Report," perhaps prompting the ROC, Austria, France, or others to press for the suspension of Turkish membership talks until Ankara fulfilled its obligations to the EU. Freezing the EU accession process could be politically lethal to Erdogan, Leigh added. Should AKP lose out to more Euro-skeptical forces in upcoming elections, it could be a major strategic setback for Turkey and for Europe.

[1](#)3. (C) Leigh stressed that Brussels was looking for a diplomatic way out of this "worst case scenario." He suggested that other member states (especially Greece), as well as outside "friends" (especially the U.S.) could play a key role in convincing Cyprus and other Turco-skeptics that derailing Turkey's membership talks was in nobody's interest. Leigh felt that Papadopoulos would not slam on the brakes if he stood alone; it was up to the other member states to call his bluff. The Europeans needed to find ways to get the

Cyprus issue "onto the back burner" so "passions could cool."

14. (C) To this end, the EU would support UN efforts to restart settlement talks -- or at least technical negotiations. Leigh said he would discuss with the UN the possibility of some kind of international or UN administration of the Famagusta port. With luck, a UN-brokered deal on the operation of the port could unblock both the EU's direct trade measure and Turkish implementation of the Ankara Protocol. Meanwhile, the Commission hoped that an active and visible EU assistance program for the Turkish Cypriots could provide "some of the cover" Erdogan needed to show flexibility on ports and help avert a crisis.

AID PRIORITIES AND AMOUNTS

15. (C) Leigh outlined the Commission's general priorities for its 139-million euro aid package, stressing that EU aid would be more focused on infrastructure -- as opposed to the U.S. CyPEG program, which focuses on economic development and technical assistance. He noted that the bulk of EU money would be spent on "public works" projects including power generation, waste/wastewater management, and environmental protection. He added that the EU would also set aside 2.5 million euros ("to start with") for a scholarship program for Turkish Cypriots (since the ROC had been making it "difficult" for Turkish Cypriots to study at European universities under existing EU programs). Additional priorities included small business development, demining, civil society, and other "reconciliation" efforts. Leigh expressed optimism that the 120 million euros lost during the deadlock over aid at the end of the last budget year (ref B) could be "recuperated from other sources," bringing the total

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amount of EU aid back up to the originally planned level of 259 million. Leigh agreed that EU implementers should work closely with USAID implementers to avoid duplication, share experience, and jointly encourage the Turkish Cypriots to prioritize their development goals more efficiently.

"ON THE WHOLE," TALAT PLAYS ALONG

16. (C) Commenting on his meeting with Talat, Leigh noted that the Turkish Cypriots "appeared to be of two minds" regarding EU aid. On one hand, they were wary of the political implications of accepting it (often pooh-poohing European aid as insignificant compared to what they received from Turkey). They were also concerned about Greek Cypriot influence over the aid, and the possibility that the Papadopoulos administration could use its position as a member state to block or interfere with specific projects. Finally, according to Leigh, the Turkish Cypriots were concerned that the Commission's plans to invest in demining and other reconciliation measures would divert resources away from purely Turkish Cypriot priorities into bicomunal projects.

17. (C) At the same time, however, Leigh indicated the Turkish Cypriots were "really interested" in European assistance, especially in key infrastructure areas like power generation. The Commission, Leigh insisted, was a more "consultative" donor than Turkey (which gave aid by "fiat"), thereby allowing the Turkish Cypriots a greater say in priorities for EU assistance. As a result, Leigh noted, Talat appeared "on the whole" willing to work with the EU on allowing aid to move forward -- apparently against the initial advice of Ankara and nationalists here on the island who had insisted Talat turn it down. Talat's current preference, Leigh suggested, was for EU aid to arrive quickly and with high visibility, perhaps even in advance of Turkish Cypriot by-elections in June, where Talat's party would be judged on whether or not it had delivered on promises to end the community's isolation.

18. (C) Leigh had not yet met with ROC Presidential Diplomatic Advisor Tasos Tzionis at the time he called on us, but nonetheless predicted the Commission would face several Greek Cypriot political objections as its assistance program moved forward. The most immediate (and politically charged) question for the Europeans to tackle was, according to Leigh, how the EC would manage its presence in the north. The Turkish Cypriots insisted that the Commission run its program out of an office in the north to avoid the impression that the GOC had control over the aid. As a practical matter, Leigh acknowledged, the EC would have to open some kind of office there to support its projected staff of 20-25 implementers. On this question, he said, the Commission was ready to "handle the blasts" it would get from the GOC, for whom an official "office" in the north was a political red line. Nonetheless, Leigh was interested in finding a face-saving compromise -- and was visibly intrigued by USAID's solution whereby CyPEG contractors had "corporate offices" in the south, but worked mostly out of "service centers" in the north.

19. (C) Leigh added that the role of the ROC in approving and implementing specific aid projects was also a potential point of contention. The Turkish Cypriots had expressed worry that the ROC could cause problems in the Phare Committee, which approves aid project proposals. At the same time, Talat had been concerned that the Commission's official representative to the ROC (a Greek Cypriot who is a close ally of President Papadopoulos) might exercise undue influence over project implementation. Leigh said he had replied by stressing that the DG Enlargement team, not the local Commission representative, would control the assistance package -- and that there was an "impenetrable Chinese wall" between the two. He added that decisions on the Phare Committee were ("in theory, at least") taken by qualified majority, so the ROC should not be able to block specific projects unilaterally.

110. (C) At the same time, Leigh acknowledged the ROC's concerns as the legal and sovereign government on Cyprus -- and said that the Commission had agreed on a parallel "consultation" mechanism to satisfy Greek Cypriot sensitivities. According to Leigh, ROC officials would be given an opportunity to discuss project plans directly with the Commission during the two-month study period before specific proposals are decided on by the Phare Committee. Leigh predicted the Greek Cypriots would probably "exaggerate the importance" of this consultation process, perhaps

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mistakenly conflating it with a veto over Commission aid decisions. He noted that the MFA had apparently already set up some kind of EU aid "task force," for which he saw no need.

111. (C) Nevertheless, the Commission would not allow the ROC to veto decisions, he insisted, although his team would be sensitive to legitimate concerns -- such as respect for Greek Cypriot property in the north. For the bulk of their infrastructure projects, however, Leigh predicted the property issue could be "managed," since public works investment generally did not take place on private land. He hoped that the ROC would allow improvement/restoration of public infrastructure on public land that been controlled by the ROC prior to 1974, since such investments would defray the costs of reunification and benefit the government of a united Cyprus in the long run. (COMMENT: This may be overly optimistic. The GOC is very sensitive about any property development in the north. Although the Greek Cypriots did not balk at a smaller EU initiative to renovate public downtown areas in three northern cities in 2004, the political atmosphere on the island has changed significantly since then. END COMMENT.)

COMMENT

¶12. (C) Even if he has underestimated some of the difficulties the EU's aid program will face, Leigh's apparent willingness to resist political pressure is refreshing to see in a Commission official. If this is reflected by his staff in the coming project implementation phase, European aid may actually have a meaningful impact. His commitment to closer cooperation with CyPEG was equally refreshing, given the local Commission team's traditional resistance to sharing information with American interlopers in an EU member state (reftels). We will continue to press for closer coordination so that our aid programs complement each other. END COMMENT.
SCHLICHER